GOVERNMENT OF INDIA
FINANCE
LOK SABHA

UNSTARRED QUESTION NO:6953
ANSWERED ON:08.05.2015
IRREGULARITIES IN MFS QUESTION
Puttaraju Shri C.S.

Will the Minister of FINANCE be pleased to state:

(a) the details of irregularities in Mutual Funds (MFs) detected during each of the last three years along with the action taken or proposed to be taken thereon;

(b) whether the Government has put in place systems and practices to promote a safe, transparent and efficient market and ensure market integrity with respect to MFs:

(c) if so, the details thereof and if not, the reasons therefor; and

(d) the other steps taken by the Government in this regard?

Answer

MINISTER OF STATE IN THE MINISTRY OF FINANCE (SHRI JAYANTSINHA)

(a): The details of the irregularities and action taken by Securities and Exchange Board of India (SEBI) in the last three years and the current year against Mutual Funds are given at Annexure- A.

(b): Yes, Sir.

(c) & (d): SEBI (Mutual Funds), Regulations, 1996 and circulars issued there under provide a framework for Mutual Funds in India. There are four constituents of a Mutual Fund in India, the sponsor, the board of Trustees or Trustee Company, the Asset Management Company (AMC) and the custodian. The sponsor is required to contribute at least 40% of the capital of the Asset Management Company which is formed for managing the assets of the Trust. The assets of the Trust comprise properties of the schemes which are floated by the asset management company with the approval of the Trustees. The safe custody of assets of the Trust is entrusted to one or more custodians.

Under the SEBI Act, 1992, SEBI takes appropriate action against Mutual Funds for violations of the aforesaid regulations and circulars issued there under. These actions include administrative measures viz issuing warning and deficiency letters, etc., and enforcement actions such as direction, adjudication, enquiry, prosecution, etc.

SEBI has a centralized web-based complaints redressal system called SEBI Complaints Redressal System (SCORES). Through this facility investors can lodge and follow up their complaints and also keep track of the status of redressal of such complaints. This also enables the market intermediaries and listed companies to receive the complaints from investors against them, redress such complaints and report redressal. An investor, who is not familiar with SCORES or does not have access to internet, can lodge complaints with SEBI in physical form.